

104TH CONGRESS  
2D SESSION

# H. R. 4124

To amend the Internal Revenue Code of 1986 to provide that the denial of deduction for excessive employee compensation shall apply to all employees and to expand the types of compensation to which such denial applies.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 19, 1996

Mr. KLINK (for himself, Mr. MURTHA, Mr. LEWIS of Georgia, Mr. BARRETT of Wisconsin, Mr. OWENS, Mr. LaFALCE, Mr. HILLIARD, Mr. DELLUMS, and Mr. EVANS) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that the denial of deduction for excessive employee compensation shall apply to all employees and to expand the types of compensation to which such denial applies.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. EXPANSION OF DENIAL OF DEDUCTION FOR**  
4       **EXCESSIVE EMPLOYEE COMPENSATION.**

5       (a) DENIAL OF DEDUCTION TO APPLY TO ALL EM-  
6       PLOYEES.—

1           (1) IN GENERAL.—Subsection (m) of section  
2       162 of the Internal Revenue Code of 1986 (relating  
3       to denial of deduction for certain excessive employee  
4       compensation) is amended by striking “covered em-  
5       ployee” each place it appears and inserting “em-  
6       ployee.”

7           (2) CONFORMING AMENDMENT.—Subsection  
8       (m) of section 162 of such Code is amended by  
9       striking paragraph (3) and redesignating paragraph  
10      (4) as paragraph (3).

11      (b) REPEAL OF EXCEPTIONS FOR CERTAIN TYPES  
12      OF COMPENSATION.—

13           (1) IN GENERAL.—Paragraph (3) of section  
14      162(m) of such Code (as redesignated by subsection  
15      (a)) is amended by striking subparagraphs (B) and  
16      (C) and by redesignating subparagraphs (D), (E),  
17      and (F) as subparagraphs (B), (C), and (D), respec-  
18      tively.

19           (2) BINDING CONTRACTS.—Subparagraph (B)  
20      of section 162(m)(3) (as so redesignated) is amend-  
21      ed to read as follows:

22                   “(B) EXCEPTION FOR EXISTING BINDING  
23                   CONTRACTS.—

1 “(i) IN GENERAL.—The term ‘applica-  
2 ble employee remuneration’ shall not in-  
3 clude any remuneration—

4 “(I) which is payable under a  
5 written binding contract which was in  
6 effect on February 17, 1993, and

7 “(II) which was not modified  
8 thereafter in any material respect be-  
9 fore such remuneration is paid.

10 “(ii) SPECIAL RULE.—Clause (i)(I)  
11 shall be applied by substituting ‘July 23,  
12 1996’ for ‘February 17, 1993’ in the case  
13 of—

14 “(I) an employee who would not  
15 have been a covered employee as de-  
16 fined in this subsection as in effect on  
17 the day before the date of the enact-  
18 ment of this sentence, and

19 “(II) remuneration which would  
20 not have been applicable remuneration  
21 by reason of subparagraph (B) or (C)  
22 of paragraph (4) of this subsection as  
23 so in effect.”

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 the date of the enactment of this Act.

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